



## TENNESSEE REGISTRY OF ELECTION FINANCE

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### **Contribution Audit of Representative John Hood Second Quarter 2006**



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# STATE OF TENNESSEE



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November 7, 2007

Members of the Registry of Election Finance  
404 James Robertson Parkway, Suite 1614  
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Ladies and Gentlemen,

Transmitted herewith is the agreed upon procedures for the un-itemized contribution audit of Representative John Hood's Second Quarter Campaign Financial Disclosure Statement for his 2006 election campaign for the House of Representatives. This audit was conducted pursuant to the requirements of T.C.A. §2-10-212.

The procedures were developed to aid the Registry of Election Finance in its responsibilities to monitor and enforce Tennessee's Campaign Financial Disclosure Law and Campaign Contribution Limits Law. The candidate is responsible for complying with campaign finance laws and the accuracy of campaign financial disclosures. The sufficiency of these procedures is solely the responsibility of the Registry's internal audit group. Consequently, we make no representation regarding the sufficiency of the agreed upon procedures described in the report for any other purpose than aiding the Registry.

This report is intended for the information and use of the Members of the Tennessee Registry of Election Finance as outlined; and is not intended to be and should not be used by anyone other than the Registry without understanding the objectives, purposes, and underlying assumptions. This report, however, is a matter of public record.

Sincerely,

Jay Moeck, CPA, CFE  
Audit Manager

**STATE OF TENNESSEE**  
REGISTRY OF ELECTION FINANCE

**Audit Highlights**  
Representative John Hood  
2006 Second Quarter Contribution Audit

**AUDIT OBJECTIVES**

The objectives of the audit were to determine Representative John Hood's compliance with certain provisions of campaign finance disclosure laws and regulations; compliance with certain provisions of campaign contribution limits laws and regulations; accuracy and completeness of the un-itemized contribution disclosures on his 2006 Second Quarter Campaign Financial Disclosure Statement; and to recommend appropriate actions to correct any deficiencies.

**FINDINGS**

The audit report contains no findings.

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## TABLE OF CONTENTS

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	<b><u>PAGE</u></b>
<b>INTRODUCTION</b>	
Audit Authority	1
Audit Purpose	1
Audit Scope	1
<b>CAMPAIGN OVERVIEW</b>	
Campaign Organization	2
Overview of Financial Activities	2
<b>CHARTS</b>	
2006 Second Quarter Contributions	3
2006 Election Campaign Contributions	3
<b>OBJECTIVES, METHODOLOGIES, CONCLUSIONS</b>	
Contributions and Receipts	4
<b>RESOLUTIONS</b>	
Registry of Election Finance Actions	6

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## **INTRODUCTION**

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### **AUDIT AUTHORITY**

In February 2006, the Tennessee Legislators and Governor Phil Bredesen enacted the “Comprehensive Governmental Ethics Reform Act of 2006,” which amended Tennessee’s campaign finance disclosure laws and duties of the Registry of Election Finance. The legislation established the audits of campaign disclosure reports. *Tennessee Code Annotated* (T.C.A.) §§2-10-206 and 2-10-212 authorize the Registry of Election Finance (Registry) to conduct audits of campaign finance disclosure statements filed with the Registry. The audit was initiated based on T.C.A. §2-10-212(i), which requires the Registry to audit any candidate that files a disclosure statement with more than 30% of the candidate’s contributions reported as un-itemized contributions and the un-itemized contributions were greater than \$5,000.00.

### **AUDIT PURPOSE**

The Registry’s contribution audits were developed to assist and encourage candidate compliance with campaign disclosure laws. The audit process assists the Registry in providing timely and accurate campaign information to government officials and the general public. The Registry’s audits provide a tool to the Registry to evaluate the effectiveness of the campaign financial disclosure process. In addition, the audits assist the Registry with the enforcement of campaign finance limit laws and campaign finance disclosure laws. Finally, the audit reports are intended to assist the candidate and the State of Tennessee with promoting governmental accountability and integrity.

### **AUDIT SCOPE**

Tennessee’s campaign financial disclosure law requires candidates to make biannual financial disclosures as of the date of the first contribution or first expenditure, whichever occurs earlier. The biannual report periods are from January 16 to June 30 and July 1 to January 15 of each year. During an election year, the disclosures expand to quarterly reports, pre-primary reports, and pre-general reports. This audit relates to disclosures made subsequent to the passage and approval of the Comprehensive Governmental Ethics Reform Act of 2006. The act was approved on February 15, 2006. In addition, the audit relates to only disclosure reports that meet the requirements listed in T.C.A. §2-10-212(i). Therefore, the audit reviewed only Rep. Hood’s disclosures on his 2006 second quarter report.

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## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Rep. John Hood was a candidate in the November 7, 2006 general election for the House of Representatives for district 48. Rep. Hood filed an Appointment of Political Treasurer Statement with the Registry on December 28, 2004 appointing Marilyn Hood as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2005 early supplemental report filed on January 29, 2006. The candidate's concluding financial disclosure report for the 2006 election was the 2006 fourth quarter report filed on January 23, 2007. The 2006 fourth quarter report indicated \$10,730.74 in cash on hand, no outstanding obligations, and no outstanding loans. The candidate completed his reporting requirements for the 2006 election campaign as of January 2007 when he transferred his remaining balance to his 2008 election campaign.

### OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2005 early supplemental, 2006 first quarter, 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports after amendments. As noted in the audit scope, we only audited un-itemized contributions from disclosures for the 2006 second quarter report. The amounts displayed are for informational purposes only.

#### Summary of Financial Activity

(Un-audited Amounts)

Cash on hand at January 1, 2005		\$55,959.44	<b>1</b>
Receipts			
Itemized	\$35,950.00		
Un-itemized	16,835.00		
Interest	1,159.94		
Loans receipted	0.00		
Total receipts		<u>\$53,944.94</u>	
Disbursements			
Itemized	93,466.78		
Un-itemized	5,706.86		
Loans principal payments	0.00		
Total disbursements		<u>\$99,173.64</u>	
Cash on hand at January 15, 2007		<u>\$10,730.74</u>	
Loans outstanding at January 15, 2007		\$0.00	
Obligations at January 15, 2007		\$0.00	
Total in-kind contributions received		\$9,334.11	

**1** The cash balance at 1/1/2005 was funds transferred from the candidate's 2004 campaign.

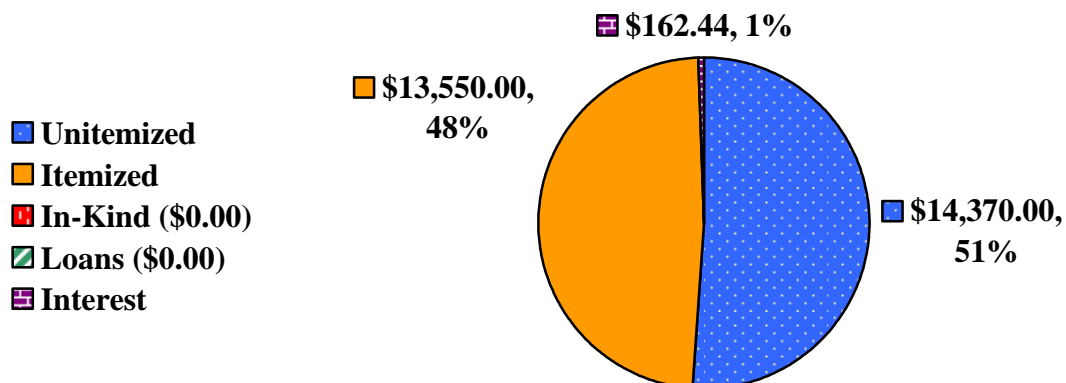
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## CHARTS

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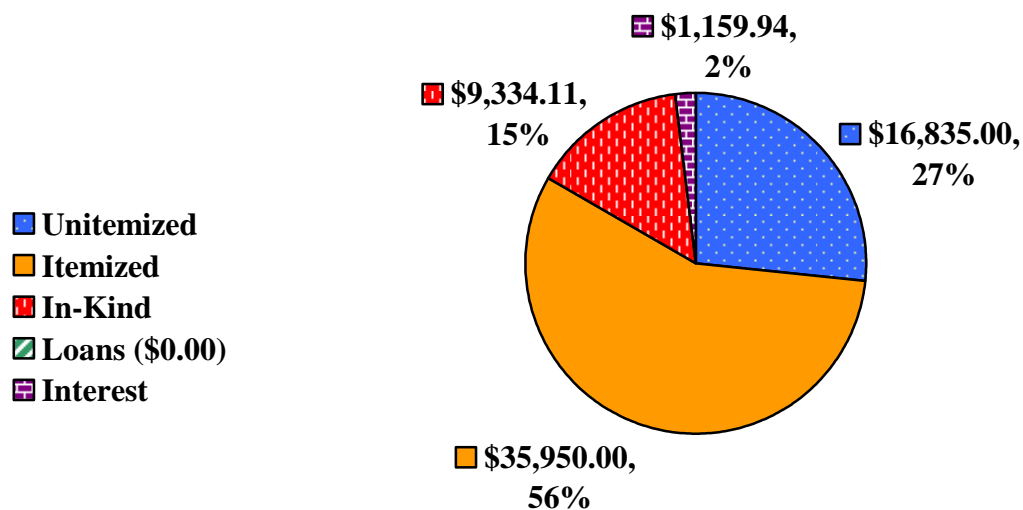
### 2006 SECOND QUARTER CONTRIBUTIONS

The following chart shows the contributions reported by the candidate in the 2006 second quarter report.



### 2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign.



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## OBJECTIVES, METHODOLOGIES, CONCLUSIONS

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### **UN-ITEMIZED CONTRIBUTIONS AND RECEIPTS**

#### ***Audit Objectives:***

The objectives of our audit of un-itemized contributions were to determine whether:

- campaign contributions from individuals and Political Action Committees (PAC) were within limits;
- all contributions were from non-prohibited sources;
- all contributions received were reported, reported in the proper period, reported in compliance with T.C.A. §§2-10-105 and 2-10-107, and reported in compliance with the Registry's rules; and
- all contributions were supported by bank statements and deposit slips.

#### ***Audit Methodology:***

The Registry obtained Rep. Hood's 2006 Second Quarter Campaign Financial Disclosure Statement Amended on July 15, 2006 to verify that the un-itemized contributions were greater than \$5,000.00 and 30% of the total contributions reported. We requested Rep. Hood to provide supporting documentation for the un-itemized contributions of \$14,370.00 that he reported on his second quarter report. Rep. Hood's campaign records for the second quarter included his bank statements, deposit receipts, contribution list, and check copies. The following steps were performed on Rep. Hood's campaign documentation:

- The documentation was reviewed to determine if the candidate's un-itemized contributions received from April 1, 2006 thru June 30, 2006 totaled \$14,370.00.
- A list of un-itemized contributions was prepared and compared to the candidate's bank statements to determine if the candidate deposited all funds into a campaign bank account and properly recorded the funds.
- A list of un-itemized contributions by contributor was prepared and compared to the candidate's itemized contributions reported during the election to determine if campaign contributions from individuals and PACs complied with campaign contribution limits, T.C.A. §2-10-301, et seq.
- An un-itemized contributions list was reviewed to determine if all contributions were reported, all receipts received were reported, all contributions were reported in the



proper period, all contributions were in compliance with T.C.A. §§2-10-105 and 2-10-107, and all contributions were in compliance with the Registry's rules.

***Audit Conclusion:***

Rep. Hood's 2006 Second Quarter Campaign Financial Disclosure Statement Amended on July 15, 2006 reported un-itemized contributions greater than \$5,000.00 and 30% of the total contributions. The campaign records indicated that Rep. Hood deposited the un-itemized contributions that he reported on his second quarter report into his campaign account. In addition, Rep. Hood's un-itemized contributions complied with campaign finance laws and Registry rules.

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## **RESOLUTIONS**

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### **REGISTRY OF ELECTION FINANCE ACTIONS**

The Members of the Registry of Election Finance reviewed the 2006 contribution audit of Rep. Hood during the November 14, 2007 regular monthly meeting. The report contained no findings for corrective actions. The Registry voted to accept and approve the audit report.